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A Model of New Nebraska Industry

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Introduction

A look into Nebraska's economic future was undertaken recently at a conference sponsored by the Bureau of Business Research and the College of Business Administration of the University of Nebraska-Lincoln. Generally, the state's economic future was viewed as favorable, at least for the remainder of this century.

Several of the speakers, however, raised one concern. The concern is the long-term economic effect of outmigration, especially the outmigration of the state's young population.

Chancellor Massengale noted in his luncheon address that Nebraska must provide its youth with sufficient job opportunities, including quality higher education. Massengale warned that if sufficient job opportunities are not created, the young population will leave the state.

The concern over outmigration can be summarized this way. If the state fails to generate sufficient quality jobs to retain its young population during the remainder of this century, it will run the risk of creating a severe labor shortage that could restrict its economic growth to critically low levels. This could encourage further outmigration, creating a cumulative causation effect.

The concern to retain our young population comes at a time when fewer young persons are entering the workforce nationwide. As the last baby boomers turn 25 this year, the 18 to 24 group that constitutes the main pool of new workers will start to shrink dramatically. By 1995, it will amount to only 22.7 million persons—a decline of 7 million from 1987.

A smaller workforce pool will contain a leaner mix of qualified workers. This means that premium salaries likely will be paid by the industrialized and urbanized areas of the country in order to attract sufficient high quality labor.

To counter attractive job opportunities elsewhere, states such as Nebraska will need to be prepared to offer equally attractive jobs. Nebraska recently took a significant and important step to strengthen its employment base with the passage of LB775. Governor Orr indicated in her state-of-the-state message at the beginning of the year that the state is entering a major expansionary period of new capital construction and of increased employment. Over $2 billion in new capital construction has been committed, with an expected 18,000 new jobs added to the employment base.

LB775 is only a beginning. More is needed. Additional economic strategies will be needed to develop a sustainable economic base for Nebraska that can generate sufficient jobs into the next century.

Many different strategies for economic growth and change need to be examined. One strategy, and the focus of this article, involves the formation of alliances or partnerships between Nebraska businesses and national and international companies faced with market fragmentation. A national trend in the formation of business alliances or partnerships seems inevitable because of the recent growth in market fragmentation.

Market Fragmentation

Market fragmentation is the dissolution of large homogeneous markets into small diversified markets.

Market fragmentation is the creation of many recent factors operating in the marketplace, including growth in market globalization, in ethnic fashions, in communications, and in nonstore retailing. One point is clear. Gone is the single homogeneous market.

Examples of market fragmentation include the following cases.

Auto buyers can choose from 300 different types of cars and light trucks, domestic and imported, and variations within each of these lines.

Beer drinkers now have 400 brands to sample.

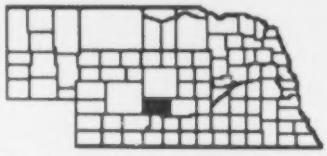
The number of products in supermarkets has soared from 13,000 in 1981 to 21,000 in 1987, with convenience foods and deli and health food offerings leading the way. This means that, on average, three new products were added each day to the stock of products on supermarket shelves.

The VCR has been on the market approximately 12 years. Today, there are about 500 different makes and models of VCRs offered in the marketplace. This averages to nearly 40 new models per year or almost four per month.

Television viewers are tuning out the big three broadcasters to watch cable and independent narrowcast stations. In 1987, the

County of the Month

Dawson



Size of county: 1,013 square miles, ranks 16th in the state
Population: 20,600 (estimated) in 1987, a change of -7.5 percent from 1980
Median age: 30.6 years in Dawson County, 29.7 years in Nebraska in 1980
Per capita personal income: $11,823 in 1986, ranks 73rd in the state
Unemployment rate: 7.1 percent in Dawson County, 4.9 percent in Nebraska for 1987
Net taxable retail sales ($000): $115,972 in 1987, a change of 4.9 percent from 1986; $111,775 during January-October 1988, a change of 18.9 percent from the same period one year ago
Nonfarm employment (1987):

	State	Dawson County
Wage & salary workers	659,223	6,812
	(percent of total)	
Manufacturing	13.3%	22.2%
Construction and Mining	3.9	4.3
TCU	6.5	3.5
Retail Trade	18.7	20.2
Wholesale Trade	7.1	9.7
FIRE	7.3	4.7
Services	22.7	13.1
Government	20.5	22.3
Total	100.0%	100.0%

Agriculture:
Number of farms: 959 in 1982, 1,049 in 1978
Average farm size: 706 acres in 1982
Market value of farm products sold: $223.4 million in 1982 ($232,956 average per farm)

Sources:
Bureau of the Census: *Area Measurement Reports*, 1970; *Census of Agriculture*, 1982; *Census of Population*, 1980; *County Population Estimates*, July 1, 1987
Bureau of Economic Analysis: *Survey of Current Business*, April 1988
Nebraska Department of Labor: *Labor Market Summary Report*, 1987
Nebraska Department of Revenue: *Net Taxable Sales*

Merlin W. Erickson

New Nebraska Industry (continued)

three networks lost 9 percent of their viewers—more than six million viewers.

Market fragmentation is bringing major changes in production. These changes are evident in a product's life cycle and in the orientation of production. These changes may be favorable to Nebraska's economy, especially because of the state's strong workforce.

Product Life Cycle

Products are like living organisms. They are born, they live, and they die. A new product is introduced into the marketplace; it grows; and, when it loses appeal, it is terminated.

A product's life cycle can be viewed as having three basic stages: 1. conception; 2. development; and 3. standardization. Any product or service begins with an idea. Ideas that seem worthwhile undergo research and development, which is stage one of the three-stage life cycle of a product. The amount of research and development involved varies directly with the nature of the idea, but a major portion of the total effort (outlay) allocated to a product's total life cycle generally is in research and development.

After the conception (or research and development) stage comes the product development stage. This stage involves test marketing of the product to determine consumer acceptability. If the product is accepted by consumers in sufficient quantity, then the product moves to the product standardization stage, where economies of scale in production can be realized. Economies of scale mean that large quantities of the product can be produced at relatively low average costs.

Historically in the United States, the product life cycle has played an important role in the relationship between urban and rural regions. Urban regions traditionally have served as the incubators for new ideas and also as the centers for research and development and test marketing. Rural regions, on the other hand, historically have been the recipients of product standardization. Product standardization (i.e., stage three) requires a lower skilled workforce compared with the skill requirements of stages one and two. Therefore, urban regions historically have spun off products to rural regions for mass production, with the urban regions receiving the lion's share of profits during the life of the product.

The length of a product's life cycle generally is determined by the consumer. Today's consumers, with their varied and temporal wants, are reducing the length of a product's life cycle. Most of the reduction is occurring in stage three, because production is shifting from standardization to customization.

Growth in customized production likely will lead to a downsizing of plants. Adaptability and flexibility likely will become more important as producers attempt to keep pace with the dynamics of market fragmentation and market diversification. Economies of adaptability and flexibility should favor smaller plants because of their narrow focus.

Production Orientation

The dynamics of market fragmentation and market diversification have shifted the orientation of production from product to process.

Product orientation means that job training and production are focused on the final product. Process orientation, on the other hand, means that job training and production are focused on a functional product.

Clearly, the difference between a product-oriented plant and a process-oriented plant is not distinguishable in the final product, because the final product can be the same in both cases. The distinction occurs in the training or the education of the workforce. A workforce that is process-oriented thinks in terms of concepts and processes that are required to transform a functional product (e.g., a fastener) into a final product (e.g., a bolt). A process-oriented workforce readily can adjust to new production requirements. A product-oriented workforce thinks only in terms of the final product. Therefore, a product-oriented workforce cannot adjust easily to new product requirements.

Finally, process orientation means a movement away from economies-of-scale production to economies-of-knowledge

production. Process orientation emphasizes the functional product rather than the final product in order to facilitate rapid changes in the production of new input requirements or new final products. Therefore, for process-oriented production, emphasis is economies of adaptability (or economies-of-knowledge production) rather than economies of scale. A strong workforce is a prerequisite to a process-oriented plant.

Nebraska's Favorable Workforce Base

Nebraska's workforce is a strong workforce resource. Statistics consistently show that the state's high school students place well above the national average in scholastic achievement scores. Moreover, the percent of students who complete high school in Nebraska is substantially above the national average. In 1987, Nebraska placed seventh in the rankings of scholastic achievement scores among the 28 states that administered the American College Testing program (ACT) to college-bound high school students. In addition, Nebraska ranked fourth in 1986 in the percent of high school graduates. Table 1 compares Nebraska with the nation and with other midwestern states for 1986 and 1987.

A Growth Strategy for Nebraska

The dynamics of market fragmentation and market diversification are creating tough problems for old-line companies that are more accustomed to mass markets and fixed or standardized production methods.

One example is IBM. After its rise in the personal computer market through 1984, IBM found its stronghold eroding. IBM's problem was not due to some giant competitor that was encroaching on its market. Instead, IBM's market was being nibbled away by more than 300 clone producers.

IBM's solution was to form alliances or partnerships with smaller companies. IBM established ties to some 1,500 small computer service companies nationwide.

Large companies such as IBM are recognizing that they can compete in the newly diversifying and fragmenting markets by forming alliances or partnerships with small companies that are innovative and process-oriented and who have access to resourceful workforces.

Nebraska's favorable workforce base provides the state with an opportunity to develop alliances between Nebraska businesses and national and international companies. Agribusiness partnerships would make sense because Nebraska is a leader in agribusiness and agribusiness research and because of the rapid growth in deli and health food lines nationwide.

To create an atmosphere for the formation of business partnerships, a coordinated plan needs to be developed that would weave many government and educational activities into a special service infrastructure for Nebraska businesses.

Although it is not the intent of this article to develop a plan of coordination, an attempt will be made to list a number of activities that might be considered in such a plan. These activities are grouped into three areas: secondary education, post-secondary education, and state government. These activities already exist in some form in Nebraska. They can be interrelated in a manner that would stimulate the formation of business partnerships.

Secondary Education

Special programs for credit should be offered in our high schools:

* That teach the importance of entrepreneurship;
* That teach the important difference between process orientation and product orientation;
* That teach the important role of venture capital and how venture capital can be obtained;
* That teach the importance of being a calculated risk taker;
* That involve students in conducting community base studies (e.g., assessing the economic resources of the community);
* That encourage students to be creative in new product or service concepts or in the modifications of existing products and services.

State Government

State government needs to be:

* Instrumental in the identification of potential partnership companies that serve national and international markets. The identification process should focus on national and international companies that rely on independent suppliers for their inputs;
* Instrumental in arranging partnerships between the national or the international company and the smaller local company;
* Instrumental in the coordination of community and regional development efforts with community or region-based businesses that are in the process of forming partnerships with national and international companies;
* Instrumental in identifying and creating sources of venture capital;
* Instrumental in supporting national and international company research and development by state-based research in order to jointly develop a process that eventually would benefit the company, with the condition that the process or product would be supplied under subcontract by a Nebraska

Table 1
ACT College Entrance Scores
and High School Graduation Rates
(with state rank in parentheses)

State	Average ACT Score of High School Graduates 1987		High School Graduation Rate Adjusted for Migration & Unclassified Students 1986	
Colorado	19.9	(4T) *	73.1	(28)
Iowa	20.3	(2)	87.5	(5)
Kansas	19.3	(9T)	81.5	(8T)
Minnesota	20.2	(3)	91.4	(1)
Missouri	19.2	(12)	75.6	(22)
Nebraska	19.8	(7)	88.1	(4)
South Dakota	19.6	(8)	81.5	(8T)
U.S. Average	18.7		71.5	

*--T denotes tie in rank.
Source: U.S. Department of Education, Office of Planning, Budget and Evaluation, February, 1988.

business. Such state-based support could be critical in establishing long-term working relationships between Nebraska businesses and national and international companies.

Colleges and Universities

The state's colleges and universities must direct resources for:

* The development of a research capability to conduct special state-supported research that may be necessary for the establishment of long-term partnership arrangements between Nebraska businesses and national and international companies;
* The development of employee-based educational programs that focus on education rather than on training and that encourage workers to be process-oriented rather than product-oriented;
* The development of entrepreneurship programs for high schools;
* The development of special college level courses that provide students the opportunity to develop and evaluate new product and process technologies;
* The recruitment of alumni to assist in the formation of partnerships between Nebraska businesses and national and international companies.

Conclusion

Large national and international companies are realizing a new resource potential—an ongoing relationship with small innovative enterprises. Nebraska can play a significant role in this movement, especially because of its favorable workforce. The formation of small business partnerships with national and international companies may create enough new job opportunities in Nebraska to significantly reduce the state's outmigration of young adults.

Governmental and educational institutions may be able to create a climate for economic growth. But these institutions cannot create jobs—that's up to the private sector.

Female Graduates Outnumber Male Graduates

The number of women receiving degrees in higher education has changed strikingly since the 1970-1971 academic year, when men earned three bachelor's degrees for every two earned by women. Women have earned more bachelor's degrees than men in every year since 1981-1982.

In 1985-1986, women were awarded more master's degrees than men. Women received 145,059 master's degrees, while men received 143,508 master's degrees.

Although men still earned more first professional degrees in 1985-1986, women have increased their share of law, business, management, protective services, computer and information sciences, and agriculture and natural resources degrees received by 20.0 percent during the past ten years. First professional degrees require at least six years of study. Law degrees account for 48.5 percent of all first professional degrees.

Furthermore, the number of women joining the labor force increased during the last decade. The number of men participating in the labor force has decreased over the last ten years.

Chris Tarsney

Review and Outlook

Fourth quarter 1988 real Gross National Product (GNP) figures were released at the end of January. Real GNP advanced 2.0 percent at annual rates in that quarter or 3.8 percent for the year. If the BEA's estimate of the drought impact is removed, the quarter would have expanded about 3.5 percent. That is a healthy rate of gain, especially at this point in the long continued expansion that began in 1983.

I have seen estimates that real GNP will advance anywhere from 4.0 to 6.0 percent at annual rates in the first quarter of 1989. The magnitude of the increase will be related to the drought. In this case, a nondrought quarter (1989:I) will be compared to a drought quarter (1988:IV).

Until now, inflation has not been an issue. For the year 1988, the Consumer Price Index advanced 4.4 percent, a rate of increase equal to that experienced in 1987. This rate of gain was moderate in my estimation. My position disagrees with that of Alan Greenspan of the Federal Reserve Board. Greenspan thinks that inflation is too high. Further, he wants to see real GNP growth in the 2.0 to 2.5 percent range. My problem with Greenspan's view is that the economy was able to expand 3.8 percent in 1988 with no change in the rate of inflation. I would be delighted to see this performance repeated. I am sure, however, that the Federal Reserve will not let this scenario repeat. Instead, the Fed will tighten monetary expansion. If there is a recession in 1990, it may be another recession attributable to actions of the Federal Reserve Board.

Let's look at recent economic news. One cloud on the horizon is that paper and paper board production fell in December. The drop was minor, but it is a continuation of a trend that began in the fourth quarter. Paper and paper board production often is viewed as a leading indicator of economic activity because paper and paper board go into a broad mix of uses that characterize the economic climate.

Retail sales in January were reported to be up 6.0 to 10.0 percent by some major retailers. The inventory to sales ratio, a measure of the ability of retailers to control inventory, has been decreasing steadily over the last three years. It is now in the vicinity of 1.5, a ratio that is viewed as healthy by many observers.

Sales of new single family homes in December advanced 0.6 percent over November or 0.9 percent for the year. This is surprising—most economists, including me, expected the housing industry to be damaged by increases in interest rates in 1988.

The unemployment rate for January 1989 was released recently. It was 5.4 percent, an increase of 0.1 percent over December 1988. The increase was related to an extraordinarily large increase in the labor force attributable to warm January weather. In any event, unemployment remains at low levels.

In December personal income advanced 0.9 percent. Durable goods orders rose 6.4 percent in December or 10.8 percent for the year.

There is increasing pressure on labor costs. Total wages, salary, and benefits in the private sector were reported to have increased 4.9 percent in 1988 by the Bureau of Labor Statistics. The rate of gain was 3.3 percent for 1987 and 3.2 percent for 1986.

There has been a steady progression of the rate of gain of these labor costs. Labor costs are not adjusted for increases in productivity. Further, union wages have not expanded as fast as these numbers indicate. Union wage increases in 1988 totaled 2.2 percent.

The industrial production index advanced 3.1 percent in December 1988. That was an gain of 4.7 percent from the year before. That rate of increase was startling for an economy in the seventh year of expansion. The December jump was based mostly on increased automobile production. The second half 1988 increases in the industrial production index were due mostly to consumer goods. In contrast, the early 1988 increases in the industrial production index were driven by the export market.

In December the capacity utilization rate was 84.4 percent, only 2.5 percentage points from the peak reached in November 1979. That peak in capacity utilization rates was associated with extremely high inflation and interest rates. The implication is

Table I
Income and Earnings in Nebraska*
(millions of dollars)

	First Quarter 1987	Second Quarter 1987	Third Quarter 1987	Fourth Quarter 1987	First Quarter 1988	Second Quarter 1988	Third Quarter 1988	% Change 1988:III vs Year Ago
Income								
Total Personal Income	22,622	22,206	21,944	24,610	23,452	24,218	23,198	5.7%
Nonfarm	20,327	20,494	20,830	21,262	21,542	21,760	22,067	5.9%
Farm	2,295	1,711	1,113	3,348	1,910	2,458	1,130	1.5%
Earnings by Industry**								
Ag. Services, Forestry, & Fisheries	73	72	75	82	86	84	84	12.0%
Mining	40	46	50	51	46	49	48	-4.0%
Construction	928	864	851	885	969	931	914	7.4%
Manufacturing	2,121	2,134	2,206	2,255	2,342	2,312	2,367	7.3%
Nondurable	1,041	1,067	1,093	1,121	1,143	1,151	1,183	8.2%
Durable	1,080	1,068	1,113	1,133	1,199	1,162	1,184	6.4%
Transportation & Public Utilities	1,571	1,574	1,612	1,629	1,661	1,693	1,714	6.3%
Wholesale Trade	1,105	1,116	1,142	1,160	1,199	1,230	1,242	8.8%
Retail Trade	1,528	1,543	1,556	1,574	1,613	1,633	1,655	6.4%
Finance, Insurance, & Real Estate	1,161	1,149	1,177	1,197	1,192	1,216	1,240	5.4%
Services	3,154	3,207	3,279	3,387	3,355	3,530	3,597	9.7%
Government	2,886	2,917	2,936	2,999	3,032	2,973	3,011	2.6%
Federal, Civilian	453	451	462	467	470	466	467	1.1%
Military	396	397	400	400	407	405	405	1.3%
State & Local	2,037	2,069	2,075	2,132	2,156	2,102	2,139	3.1%

* All data are seasonally adjusted at annual rates.
** Earnings is the sum of wages and salaries, other labor income, and income earned by sole proprietors.

Table II
Employment in Nebraska

	Revised Nov. 1988	Preliminary Dec. 1988	Dec. % Change vs. Year Ago
Place of Work			
Nonfarm	681,727	680,030	1.5
Manufacturing	93,902	93,937	3.6
Durables	46,314	46,204	4.7
Nondurables	47,588	47,733	2.6
Mining	1,623	1,589	0.4
Construction	24,909	23,322	2.9
TCU*	45,526	45,536	4.0
Trade	174,454	176,206	1.6
Wholesale	48,417	48,770	2.6
Retail	126,037	127,436	1.2
FIRE**	48,369	48,518	1.9
Services	149,782	150,112	-0.4
Government	143,162	140,810	0.9
Place of Residence			
Civilian Labor Force	828,664	819,352	0.4
Unemployment Rate	3.6%	4.0%	

*Transportation, Communication, and Utilities
**Finance, Insurance, and Real Estate

Source: Nebraska Department of Labor

Table III
Price Indices

	Dec. 1988	% Change vs. Year Ago	YTD % Change vs. Year Ago
Consumer Price Index - U*			
(1982-84 = 100)			
All Items	120.5	4.4	4.1
Commodities	113.5	3.8	3.5
Services	128.1	4.8	4.6
Producer Price Index			
(1982 = 100)			
Finished Goods	110.0	4.1	2.5
Intermediate Materials	109.5	5.6	5.4
Crude Materials	97.0	2.9	2.4
Ag Prices Received			
(1977 = 100)			
Nebraska	155	18.3	12.4
Crops	136	43.2	38.1
Livestock	168	9.8	3.6
United States	145	14.2	9.0
Crops	136	21.4	18.1
Livestock	154	9.2	2.5

U* = All urban consumers
Source: U.S. Bureau of Labor Statistics

that we have little room for expansion in the industrial sector at this time, unless extraordinary levels of investment are experienced.

Nebraska Outlook

Third quarter personal income statistics for Nebraska were released recently. They show a downtrend beginning in the fourth quarter of 1987. Most of the volatility is due to the agricultural sector. The nonagricultural sector, however, showed some weakness in the third quarter of 1988. We must be careful in using these figures because quarter-to-quarter changes are difficult to interpret.

Using changes from a year ago, virtually all major manufacturing sectors have increased with the exception of mining. Nonagricultural earnings had exceptional gains in the third quarter of 1988 in the following categories: agricultural services, construction, manufacturing, wholesale trade, and services. All of these categories showed strong advances in earnings well ahead of the rate of inflation.

Employment turned down marginally in December. Peak employment for the year was in November. The unemployment rate rose slightly in December. It had reached a low of 3.2 percent in August that was repeated in September and October. There is some seasonality in the unemployment series. The unemployment rate has decreased from a year ago. There is some concern in nonmetropolitan areas of the state in both the unemployment rate and unemployment levels. Unemployment has turned up, while the employment totals have turned down in comparison to nonmetropolitan areas.

The retail sales pattern continues to oscillate. The last available data are for October where a downturn is shown. I would describe retail sales in real terms as being relatively flat with large oscillations. These features make this series difficult to interpret. My overall conclusion is the Nebraska economy is still healthy.

Growth is likely to slow in 1989. Variation in the Nebraska economy will be attributable to change in the agricultural sector. Unfortunately, it is nearly impossible to forecast agricultural patterns either in the long term or the short term. It

Table IV
City Business Indicators
October 1988 Percent Change from Year Ago

The State and Its Trading Centers	Employment (1)	Building Activity (2)
NEBRASKA	1.6	11.5
Alliance	1.3	303.5
Beatrice	0.0	109.9
Bellevue	3.8	67.4
Blair	3.8	-12.4
Broken Bow	-1.0	-46.9
Chadron	3.2	-79.5
Columbus	8.7	19.9
Fairbury	-0.5	787.7
Falls City	-1.4	206.2
Fremont	0.5	2.1
Grand Island	0.2	0.6
Hastings	-0.3	0.1
Holdrege	-0.8	-58.8
Kearney	0.3	57.5
Lexington	0.5	-11.2
Lincoln	1.5	2.7
McCook	-1.6	10.4
Nebraska City	-0.8	3.3
Norfolk	0.5	-43.3
North Platte	0.9	38.1
Omaha	3.8	10.4
Scottsbluff	-0.4	78.6
Seward	-0.2	-6.3
Sidney	0.6	69.3
South Sioux City	6.9	549.0
York	-1.1	-56.7

(1)As a proxy for city employment, total employment (labor force basis) for the county in which a city is located is used.

(2)Building activity is the value of building permits issued as a spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Cost Index is used to adjust construction activity for price changes.

Sources: Nebraska Department of Labor and reports from private and public agencies.

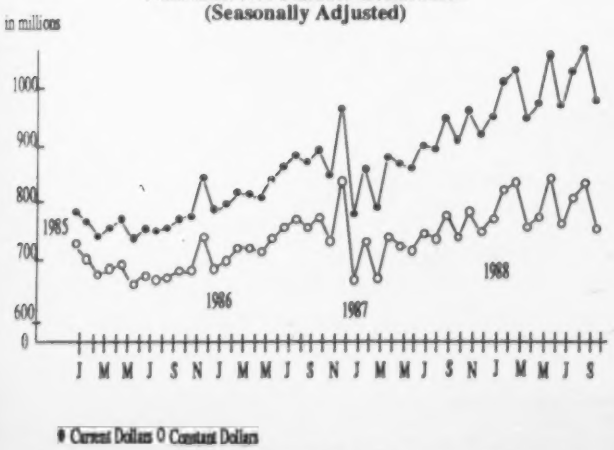
Figure I
City Business Index
October 1988 Percent Change from Year Ago

Table V
Net Taxable Retail Sales of Nebraska Regions and Cities

Region Number and City (1)	City Sales (2) Oct. 1988 (000s)	City Sales (2) % Change vs. Year Ago	Region Sales (2) Oct. 1988 (000s)	Region Sales (2) % Change vs. Year Ago	YTD % Change vs. Year Ago
NEBRASKA	$800,440	5.5	$915,677	5.8	10.8
1 Omaha	279,485	9.4	345,796	8.1	8.7
Bellevue	12,349	1.1	*	*	*
Blair	4,275	5.1	*	*	*
2 Lincoln	110,504	-1.5	126,946	-0.4	10.9
3 South Sioux City	4,057	7.9	5,778	0.7	16.4
4 Nebraska City	3,846	1.8	16,615	-0.5	7.2
6 Fremont	13,895	-0.7	26,482	1.5	10.9
West Point	2,793	15.3	*	*	*
7 Falls City	2,136	-3.9	8,284	-1.6	4.5
8 Seward	3,957	-1.2	13,823	4.7	10.6
York	5,768	-13.9	13,639	-2.3	10.6
10 Columbus	13,733	6.8	25,307	9.8	13.8
11 Norfolk	16,854	2.4	31,624	4.6	15.6
Wayne	2,763	9.1	*	*	*
12 Grand Island	30,212	6.0	43,379	7.0	14.4
13 Hastings	14,131	6.0	22,133	3.7	9.3
14 Beatrice	6,944	1.2	15,620	-2.0	7.6
Fairbury	2,556	-5.1	*	*	*
15 Kearney	16,748	11.6	23,789	9.3	17.9
16 Lexington	5,150	5.0	14,289	4.8	17.0
17 Holdrege	3,703	-5.1	6,990	-3.4	8.5
18 North Platte	14,030	9.5	17,861	8.3	14.8
19 Ogallala	4,453	0.5	9,700	8.3	12.7
20 McCook	6,989	0.4	9,921	-0.7	13.8
21 Sidney	3,663	6.9	7,753	10.1	8.1
Kimball	1,600	-2.3	*	*	*
22 Scottsbluff/Gering	15,646	2.3	22,252	3.2	6.5
23 Alliance	4,998	8.9	12,597	3.9	10.3
Chadron	2,338	-7.9	*	*	*
24 O'Neill	3,485	-1.6	12,276	4.3	13.8
Valentine	2,376	6.0	*	*	*
25 Hartington	1,326	-12.9	7,154	-9.5	6.3
26 Broken Bow	2,782	-7.7	10,459	3.6	18.1

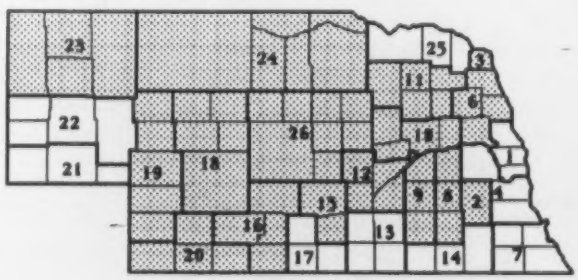
(1) See region map.
(2) Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales.
* Within an already designated region.
Compiled from data provided by the Nebraska Department of Revenue

Figure II
Nebraska Net Taxable Retail Sales
(Seasonally Adjusted)



(1) The Consumer Price Index (1982-84 = 100) is used to deflate current dollars into constant dollars

Figure III
Region Sales Pattern
YTD as Percent Change from Year Ago



Shaded areas are those with sales gains above the state average.

Scoreboard

Percent change from same month one year ago

	State	Metro+	Nonmetro
Motor Vehicle Sales (Oct.) Constant $	3.3%	0.7%	5.7%
Nonmotor Vehicle Sales (Oct.) Constant $	1.2%	1.4%	1.0%
Building Activity (Oct.) Constant $	9.1%	7.5%	11.2%
Employment (Dec.)	1.4%	4.1%	-1.2%
Unemployment Rate* (Dec.)	4.0%	3.7%	4.3%

+Omaha and Lincoln
*Unemployment is this month's rate, not a percent change from year ago

Review and Outlook (continued)

is projected that agricultural income in Nebraska will return to a long-run trend showing increases of 3.0 percent per year. There will be big swings in agricultural income in the future as there have been in the past. Nevertheless, I make this forecast and hope to be close.

John S. Austin

Directory of University Of Nebraska Economic Development Programs Now Available

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For copies of the directory, write or call :

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Economic Development Coordinator
University of Nebraska
109 Varner Hall
3835 Holdrege
Lincoln, Nebraska 68588-0743
(402)472-2861.

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